United Nations A/70/395

General Assembly

Distr.: General
28 September 2015

Original: English

Seventieth session
Agenda item 134
Proposed programme budget for the biennium 2016-2017

Review of the experience of the utilization of the contingency fund

Report of the Secretary-General

Summary

The present report has been prepared pursuant to section XII of resolution 69/262, by which the General Assembly requested the Secretary-General to review the recent experience of the utilization of the contingency fund in all its relevant aspects and to report thereon at the seventieth session. Accordingly, information is provided herein on the experience of the utilization of the contingency fund since its inception.

Under the arrangements set out in resolutions 41/213 and 42/211, the programme budget shall include a contingency fund expressed as a percentage of the overall budget level, to accommodate additional expenditures derived from legislative mandates not provided for in the proposed programme budget or revised estimates, and subject to certain provisions. No predetermined level exists for the contingency fund; instead, a percentage is proposed by the Secretary-General for application to the programme budget outline amount. At the time of approving the outline, the General Assembly also approves the percentage, thereby determining the level of the contingency fund.

A review of the experience on the utilization of the fund indicates that, since its establishment in the biennium 1990-1991, with the exception of the bienniums 2006-2007, 2012-2013 and 2014-2015, the level of the fund has been sufficient to cover additional requirements reflected in the consolidated statement of programme budget implications and revised estimates. In cases where it has not proved possible to stay within the contingency fund, additional amounts were appropriated by the General Assembly outside of the contingency fund.

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The General Assembly is requested to take note of the present report and may wish, on the basis of the experience reported, to provide further guidance on any aspect of the contingency fund.

I. Introduction

1. In section XII of its resolution 69/262, the General Assembly requested the Secretary-General to review the recent experience of the utilization of the contingency fund in all its relevant aspects and to report thereon at its seventieth session. The present report is submitted pursuant to that request.

II. Background

2. The creation of a contingency fund was decided on by the General Assembly in annex I of its resolution 41/213 on the review of the efficiency of the administrative and financial functioning of the United Nations. Paragraphs 8 and 9 of annex I reads:

> 8. The programme budget shall include a contingency fund expressed as a percentage of the overall budget level, to accommodate additional expenditures relating to the biennium derived from legislative mandates not provided for in the proposed programme budget or, subject to the provisions of paragraph 11 below, from revised estimates.
>
> 9. If additional expenditures, as defined in paragraph 8 above, are proposed that exceed resources available within the contingency fund, such additional expenditures can only be included in the budget through redeployment of resources from low-priority areas or modifications of existing activities. Otherwise, such additional activities will have to be deferred until a later biennium.

Paragraph 11 provides the following:

> 11. [T]he revised estimates arising from the impact of extraordinary expenses, including those relating to the maintenance of peace and security, as well as fluctuations in rates of exchange and inflation, shall not be covered by the contingency fund and shall continue to be treated in accordance with established procedures and under the relevant provisions of the Financial Regulations and Rules.

3. The General Assembly, in the annex to its resolution 42/211, set out the criteria for use of the contingency fund (section A), the period covered (section B) and the operation of the contingency fund (section C). Paragraph 1 of section A provides that the contingency fund should be used to cover:

(a) Additional resources that may be required as a result of the consideration of statements of programme budget implications;

(b) Revised estimates in respect of:

(i) Amounts required over and above the estimates in the proposed programme budget for activities which had been included in the proposed programme budget but which were not acted upon at first reading pending submission of additional information;

(ii) Additional requirements for construction related only to changes in the scope of the projects which are so urgent that the matter cannot wait to be considered in the context of the budget outline; additional requirements related

to cost increases should be handled under provisions for dealing with inflation and currency fluctuations; similarly, additional requirements related to the effects of natural disasters or unforeseen obstacles should be handled on an ad hoc basis and should not be covered by the contingency fund;

(iii) Additional requirements resulting from legislative mandates, such as those resulting from the decisions of the Economic and Social Council.

4. Paragraph 1, section A, of annex I to resolution 41/213 provides that, in off-budget years, the Secretary-General shall submit an outline of the programme budget for the following biennium, which shall contain an indication of, inter alia, the size of the contingency fund expressed as a percentage of the overall level of resources. Section C of the annex to resolution 42/211 provides that, in the off-budget year, the General Assembly would decide on the size of the fund in accordance with the provisions of annex I to resolution 41/213. No set percentage is specified for the contingency fund.

5. In the annex to resolution 42/211, the General Assembly specified that the Secretary-General would prepare and submit a consolidated statement of all programme budget implications and revised estimates considered at a session of the Assembly, and that the amounts therein would correspond to those previously recommended by the Fifth Committee upon its consideration of individual statements and proposals for revised estimates. Should the consolidated amount exceed the balance available in the fund for that year, the Secretary-General would, in his consolidated statement, make proposals for revising the amount so that it would not exceed the available balance. In so doing, the Secretary-General would be guided by the indications of alternatives included in each statement of programme budget implications and in each proposal for revised estimates. The Secretary-General would also take into account any indications of relative urgency that each legislative body might wish to make regarding its resolutions and decisions. Upon consideration of the consolidated statement, the Assembly would proceed to appropriate the funds necessary under the relevant sections of the programme budget.

III. Experience

6. The present section addresses the experience relating to the utilization of the contingency fund and the application of alternatives in cases where it has not been possible to finance all or part of the additional requirements within the fund.

Size of the contingency fund

7. Against the background set out above, the Secretary-General submitted the first proposed budget outline with document A/43/524. In addressing the level of the contingency fund for the related biennium, the Secretary-General recalled that, in his report on the contingency fund (A/42/225), it had been observed that a contingency fund amounting to 0.75 per cent of the budget appeared reasonable for the following biennium. It was noted that that level of contingency had been neither approved nor rejected in principle by the General Assembly, and, under the circumstances, it was proposed that the rate of 0.75 per cent be adopted for the

biennium 1990-1991 on the understanding that the Assembly should continue to keep under review the appropriateness and adequacy of that level.

8. In its resolution 43/214, the General Assembly set the level of the contingency fund for the biennium 1990-1991 at 0.75 per cent of the preliminary estimate for the biennium, that is $15 million. Since then, the size of the contingency fund has always been set by the Assembly at the same percentage (0.75) of the overall level of resources approved in the context of the budget outline, even though the level proposed by the Secretary-General has not always been 0.75 per cent of the preliminary estimate. Taking into account information available at the time of submission of specific budget outline proposals, the Secretary-General has proposed levels lower or higher than 0.75 per cent, as follows:

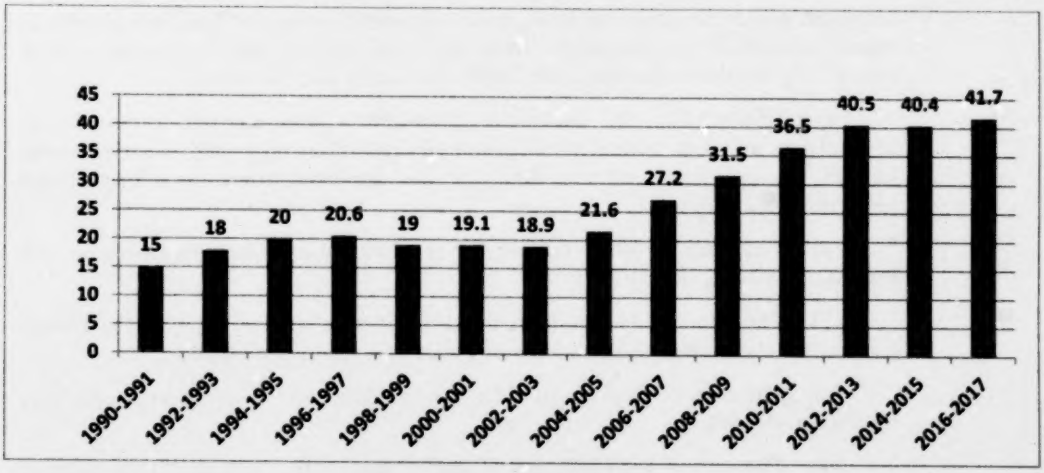
(a) In proposing a budget outline and contingency fund level for the biennium 1998-1999, it was noted that, in the first year of the 1996-1997 biennium, the level of drawdown against the contingency fund, which for 1996-1997 was set at $20.6 million, had been $1.1 million. It was therefore recommended that the level be set at 0.25 per cent for the biennium 1998-1999, representing $6 million (A/51/289);

(b) In proposing a budget outline and contingency fund level for the biennium 2008-2009, it was noted that the experience of recent biennia reflected the increasing occurrence of situations where potential charges exceeded the balance available within the contingency fund. Accordingly, it was recommended that the contingency fund be set at a level of 1.35 per cent, or $55.9 million, for the biennium 2008-2009 (A/61/576).

9. While the percentage applied in arriving at contingency fund levels has remained the same (0.75 per cent), the actual nominal level of the fund has varied with the size of the approved outline amount. The figure below provides information on the size of the contingency fund since its establishment.

Size of the contingency fund since its establishment

(Millions of United States dollars)



Utilization of the contingency fund

10. Detailed information on the utilization of the contingency fund since its creation is provided in table 1 below.

Table 1
Utilization of the contingency fund since its inception

Biennium	*Size (millions of US dollars)*	*Percentage of preliminary estimate*	*Approved charges (thousands of US dollars)*	*Approved charges (per cent)*	*Additional appropriations that did not represent a charge against the contingency fund[a] (millions of US dollars)*
1990-1991	15.0	0.75	11.8	78.7	–
1992-1993	18.0	0.75	6.3	35.0	–
1994-1995	20.0	0.75	18.5	92.5	–
1996-1997	20.6	0.75	5.2	25.2	–
1998-1999	19.0	0.75	3.7	19.5	–
2000-2001	19.1	0.75	18.9	99.0	–
2002-2003	18.9	0.75	18.9	100.0	–
2004-2005	21.6	0.75	13.8	63.9	–
2006-2007	27.2	0.75	26.6	97.8	52.6
2008-2009	31.5	0.75	26.3	83.5	–
2010-2011	36.5	0.75	14.1	38.6	–
2012-2013	40.5	0.75	37.5	92.6	8.6
2014-2015	40.4	0.75	40.2	99.5	5.1
2016-2017	41.7	0.75	..	..	..

[a] As contained in the reports that would normally represent a charge against the contingency fund.

11. As can be seen from the above, although the utilization of the fund has remained within the approved level, recent experience indicates that, in a number of cases, additional appropriations were approved outside the contingency fund, specifically for the bienniums 2006-2007, 2012-2013 and 2014-2015.

12. Specifically, for the biennium 2006-2007, requirements in excess of $50 million, although normally chargeable to the contingency fund, were approved outside the provisions of the fund for the implementation of reform-related proposals, as follows:

(a) The sum of $44.3 million for the 2005 World Summit Outcome (see resolutions 60/246 and 60/247);

(b) The sum of $4.6 million for the initiative on investing in the United Nations for a stronger Organization worldwide (see resolution 60/283);

(c) The sum of $3.4 million for the initiative on investing in people (see resolution 61/244);

(d) The sum of $327,800 (net of staff assessment) in relation to the updated terms of reference for the Independent Audit Advisory Committee (see resolution 61/275).

13. For the bienniums 2012-2013 and 2014-2015, although the Secretary-General's consolidated statement of programme budget implications and revised estimates included the absorption of additional requirements resulting from new and expanded mandates in the amount of $3.9 million and $1.7 million, respectively, the magnitude of the requirements was such that full absorption was not possible (see A/C.5/67/15 and A/C.5/69/16).

14. It was recalled that, under the provisions of resolution 41/213, if additional expenditures were proposed that exceed resources available within the contingency fund, such additional expenditures could be included in the budget only through the redeployment of resources from low-priority areas or the modification of existing activities. Otherwise, such additional activities would have to be deferred until a later biennium. In the annex to its resolution 42/211, the General Assembly also specified that, should the consolidated amount exceed the balance available in the fund for a specific year, the Secretary-General would, in his consolidated statement, make proposals for revising the amount so that it would not exceed the available balance. In so doing, the Secretary-General would be guided by the indications of alternatives included in each statement of programme budget implications and in each proposal for revised estimates.

15. It was further recalled that, in its resolution 48/228 A, the General Assembly had endorsed the recommendation of the Committee for Programme and Coordination to remove the practice of identifying high- and low-priority programme elements from the format of the programme budget. As the present format of the budget no longer contains priority-setting information approved by Member States, alternative options for reduction or reallocation of resources between high- and low-priority mandated programme elements, including the deferral, termination and curtailment of mandated activities, would require the approval of the Assembly.

16. The General Assembly, in reviewing the consolidated statements of programme budget implications for the bienniums 2012-2013 and 2014-2015, decided to approve additional appropriations outside the contingency fund, notably in respect of the revised estimates resulting from the decisions contained in the outcome document of the United Nations Conference on Sustainable Development, entitled "The future we want" (resolution 66/288, annex), for the biennium 2012-2013 ($8.6 million), and a total amount of $5.1 million relating to first the administration of justice at the United Nations ($2.5 million), and second requirements for the construction of additional office facilities at the Economic Commission for Africa in Addis Ababa and proposals for the renovation of conference facilities, including Africa Hall ($2.6 million), for the biennium 2014-2015. On the basis of the aforementioned, the approved charges against the contingency fund remained within the level set by the Assembly for the respective bienniums.

17. Programme budget implications, revised estimates and the related consolidated statements of charges against the contingency fund include any activities that can be accommodated through existing resources, modified or dealt with in the context of future proposed programme budgets. Further suggestions for reducing the proposals below the amounts already presented are included in the consolidated statement, if applicable, as was the case for the biennium 2004-2005 (see A/C.5/58/34).

18. In the annex to its resolution 42/211, the General Assembly specified that the consolidated statements considered at its sessions were to be based on the amounts previously recommended by the Fifth Committee upon its consideration of individual statements and proposals for revised estimates, and on any indications of relative urgency that each legislative body might wish to make regarding its resolutions and decisions. In practice, however, the consolidated statements are often prepared on the basis of the initial proposals of the Secretary-General and related recommendations of the Advisory Committee, and prior to the final recommendation taken by the Fifth Committee upon its consideration of the individual statements and proposals for revised estimates.

19. The categories of reports that contained charges against the contingency fund which were approved by the General Assembly over the past four bienniums are illustrated in table 2. As illustrated in table 2, the degree of utilization of the contingency fund varies across bienniums depending on the specific requirements and situation of the specific biennium, which does not necessarily apply in the following biennium.

Table 2
Categories of reports approved by the General Assembly that contained charges against the contingency fund
(Thousands of United States dollars)

	2008-2009		*2010-2011*		*2012-2013*		*2014-2015*	
Approved charges	*Amount*	*Percentage*	*Amount*	*Percentage*	*Amount*	*Percentage*	*Amount*	*Percentage*
Programme budget implications	18 156.4	69	5 811.0	41	5 301.1	14	12 698.2	32
Revised estimates, Human Rights Council	6 603.1	25	2 555.2	18	19 837.4	53	16 447.7	41
Revised estimates, Economic and Social Council	–	–	–	–	26.2	–	–	–
Other revised estimates and supplementary programme budget requirements	1 579.0	6	5 758.6	41	12 303.1	33	11 050.2	27
Total approved charges	**26 338.5**	**100**	**14 124.8**	**100**	**37 467.8**	**100**	**40 196.1**	**100**

IV. Recommendation

20. **The General Assembly is requested to take note of the present report and may wish, on the basis of experience reported, to provide further guidance on any aspect of the contingency fund.**